

Message Text

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14

ACTION NEA-10

INFO OCT-01 ARA-10 EUR-12 EA-10 ISO-00 AID-05 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 SAM-01 IO-10 /134 W

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R 080555Z JUL 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 3304

INFO USTREASURY DEPT WASHDC

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MEXICO CITY

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS KUWAIT 2852

E.O. 11652: NA

TAGS: EFIN, KU

SUBJ: JUNE UNDERWRITING NOTES

REF: KUWAIT 2501 (NOTAL)

1. KUWAIT FINANCIAL INSTITUTIONS CONTINUED TO BE EXTREMELY
ACTIVE IN PARTICIPATING IN THE UNDERWRITING AND MANAGEMENT
OF EUROBOND ISSUES IN JUNE. KUWAIT-BASED COMPANIES TOOK PART
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IN EIGHTEEN ISSUES, MORE THAN DURING ANY OTHER SINGLE MONTH.

THEY WERE MANAGERS OR CO-MANAGERS IN SEVEN OF THESE, A LEVEL REACHED ONLY ONCE BEFORE, IN APRIL.

2. THREE OF THE ISSUES WERE DENOMINATED IN KUWAITI DINARS. KUWAIT INTERNATIONAL INVESTMENT COMPANY (KIIC) MANAGED A KD 10 MILLION ISSUE FOR THE NATIONAL BANK OF ALGERIA AND A KD 5 MILLION ISSUE FOR AUTOPISTAS DEL ATLANTICO OF SPAIN. (KD 1 EQUALS \$3.50). KUWAIT INVESTMENT COMPANY (KIC) MANAGED A KD 7 MILLION ISSUE FOR PEMEX OF MEXICO. IN ALL, SOME \$77 MILLIONWORTH OF KD BOND ISSUES WERE ANNOUNCED IN JUNE, COMPARED TO \$53.8 MILLION DURING THE FIRST FIVE MONTHS OF THE YEAR. ACCORDING TO A CREDIT SUISSE-WHITE WELD STUDY, OF INTERNATIONALLY SYNDICATED DEBT ISSUES, KD ISSUES RANKED FIFTH BY NATIONAL CURRENCY (SEVENTH IF EUROPEAN UNITS OF ACCOUNTS ARE INCLUDED) AS OF THE END OF MAY.

3. ANOTHER NOTEWORTHY FEATURE OF JUNE ACTIVITY IS THAT FOR THE FIRST TIME AT LEAST SINCE THE OCTOBER WAR KUWAITI INSTITUTIONS PARTICIPATED IN THE MANAGEMENT OF US COMPANY ISSUES. KUWAIT FOREIGN TRADING, CONTRACTING AND INVESTMENT COMPANY WAS A MANAGER IN THE \$20 MILLION ITT/SHERATON ISSUE, AND KIC WAS CO-MANAGER IN THE \$12.5 MILLION MARRIOTT ISSUE. OTHER INTERESTING ACTIVITY INCLUDED KIIC'S COMMANAGEMENT OF AN SDR 50 MILLION ISSUE FOR ALUSUISSE AND KUWAIT PARTICIPATION IN A SAUDI RIYAL 100 MILLION ISSUE FOR AUTOPISTAS DEL MARE NOSTRUM OF SPAIN.

4. COMMENT: JUNE ACTIVITY BY KUWAITI-BASED COMPANIES SUGGESTS THAT THESE INSTITUTIONS ARE PLAYING AN INCREASINGLY IMPORTANT ROLE IN OBTAINING FINANCING FOR A WIDE RANGE OF BORROWERS INCLUDING, NOW, US COMPANIES. THEY SEEM TO BE WILLING TO TAKE PART IN SUCH NEW DEPARTURES AS SDR DENOMINATED ISSUES, AND ARE OFFERING KD FINANCING TO A MORE DIVERSE SET OF BORROWERS, AS THE PEMEX ISSUE INDICATES. THE KUWAITI INSTITUTIONS HAVE PARTICIPATED HEAVILY IN THREE SPANISH AUTOPISTAS ISSUES (TWO KD ISSUES AND THE SAUDI RIYAL ISSUE), BUT WE UNDERSTAND THAT THEY NOW BELIEVE THAT THERE IS "TOO MUCH SPANISH PAPER FLOATING AROUND". THIS SUGGESTS THAT THE KUWAITIS WILL CONTINUE ON BALANCE TO BE RELATIVELY CONSERVATIVE.

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